

ESTTA Tracking number: **ESTTA531547**

Filing date: **04/10/2013**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Notice of Opposition

Notice is hereby given that the following party opposes registration of the indicated application.

Opposer Information

Name	Square, Inc.
Granted to Date of previous extension	04/10/2013
Address	901 Mission Street San Francisco, CA 94103 UNITED STATES
Attorney information	Connie L. Ellerbach Fenwick & West LLP 801 California Street Silicon Valley Center Mountain View, CA 94041 UNITED STATES trademarks@fenwick.com Phone:650-988-8500

Applicant Information

Application No	85670848	Publication date	12/11/2012
Opposition Filing Date	04/10/2013	Opposition Period Ends	04/10/2013
Applicants	e2 Auto LLC Suite 210 3131 South Bascom Ave. Campbell, CA 95008 UNITED STATES Winokur, Eric Matthew Suite 210 3131 South Bascom Ave. campbell, CA 95008 UNITED STATES		

Goods/Services Affected by Opposition


Class 009.

All goods and services in the class are opposed, namely: Computer application software for mobile phones, namely, software for use in the electronic storage of data; Computer application software for automotive, vehicle, and boat sales, namely, software for sales system integration; Computer software for application and database integration; Computer software for communicating with users of hand-held computers; Computer software for creating searchable databases of information and data; Computer software for providing an on-line database in the field of transaction processing to upload transactional data, provide statistical analysis, and produce notifications and reports; Computer software for use in customer relationship management (CRM); Computer software platforms for retail vehicle and boat sales

Grounds for Opposition


Deceptiveness	Trademark Act section 2(a)
False suggestion of a connection	Trademark Act section 2(a)
Priority and likelihood of confusion	Trademark Act section 2(d)
Dilution	Trademark Act section 43(c)


Marks Cited by Opposer as Basis for Opposition

U.S. Registration No.	3917735	Application Date	08/05/2009
Registration Date	02/08/2011	Foreign Priority Date	NONE
Word Mark	SQUARE		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 009. First use: First Use: 2009/07/00 First Use In Commerce: 2009/07/00 Hardware and software for processing credit card, debit card, and gift card transactions via mobile devices		


U.S. Registration No.	3962489	Application Date	08/05/2009
Registration Date	05/17/2011	Foreign Priority Date	NONE
Word Mark	SQUARE		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 035. First use: First Use: 2009/07/00 First Use In Commerce: 2009/07/00 Reconciling credit card, debit card, and gift card accounts transactions via a global computer network Class 036. First use: First Use: 2009/07/00 First Use In Commerce: 2009/07/00		

	Reconciling, namely, processing credit card, debit card, and gift card transactions via a global computer network Class 038. First use: First Use: 2009/07/00 First Use In Commerce: 2009/07/00 Providing electronic transmission of credit card, debit card, and gift card transaction data, namely, charges
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U.S. Application No.	77914191	Application Date	01/18/2010
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SQUARE UP		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 009. First use: Hardware and software for processing credit card, debit card, and gift card transactions via mobile devices		

U.S. Application No.	77914193	Application Date	01/18/2010
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SQUARE UP		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 036. First use: Electronic payment services, namely, reconciling financial transaction accounts for others via a global computer network		

U.S. Application No.	77914194	Application Date	01/18/2010
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Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SQUARE UP		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 038. First use: Providing electronic transmission of credit card, debit card, and gift card transaction data, namely, charges and payments		

Attachments	77798169#TMSN.jpeg (1 page)(bytes) 77798170#TMSN.jpeg (1 page)(bytes) 77914191#TMSN.jpeg (1 page)(bytes) 77914193#TMSN.jpeg (1 page)(bytes) 77914194#TMSN.jpeg (1 page)(bytes) ESQUARE Notice of Opposition.pdf (10 pages)(4671849 bytes) ESQUARE Exhibit A.PDF (43 pages)(1222975 bytes) ESQUARE Exhibit B.PDF (2 pages)(25608 bytes) ESQUARE Exhibit C.PDF (3 pages)(722367 bytes)
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Certificate of Service

The undersigned hereby certifies that a copy of this paper has been served upon all parties, at their address record by First Class Mail on this date.

Signature	/cle1087/
Name	Connie L. Ellerbach
Date	04/10/2013

IN THE
UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of
Trademark Application Serial No.: 85/670,848
Filed: July 6, 2012
Published: December 11, 2012
Mark: ESQUARE

Square, Inc.,)	
)	
)	
v.	Opposer,)
)	Opposition No. _____
)	
e2 Auto LLC and Eric Matthew Winokur,)	
)	
	Applicant.)
_____)	

NOTICE OF OPPOSITION

Square, Inc., a Delaware Corporation, having its business at 901 Mission Street, San Francisco, California 94103 (“Opposer”), will be damaged by the registration of the mark shown in Application Serial Number 85/670,848 and hereby opposes that application, alleging as grounds for the opposition that:

1. As evidenced by the publication of the ESQUARE application in the December 11, 2012 issue of the *Official Gazette*, e2 Auto LLC and Eric Matthew Winokur (“Applicant”) seek to register ESQUARE as a trademark for “computer application software for mobile phones, namely, software for use in the electronic storage of data; computer application software for automotive, vehicle, and boat sales, namely, software for sales system integration; computer software for application and database integration; computer software for communicating with users of hand-held computers; computer software for creating searchable databases of information and data; computer software for providing an on-line database in the field of transaction processing to upload transactional data, provide statistical analysis, and

produce notifications and reports; computer software for use in customer relationship management (CRM); computer software platforms for retail vehicle and boat sales” in International Class 9 (“the Application”). The Application was filed on July 6, 2012, based solely on Applicant’s intent to use the mark in commerce.

2. Opposer is the owner of two U.S. Trademark Registrations for SQUARE marks, including:

Trademark	Reg. No.	Full Goods Description	Filing Date	Registration Date
SQUARE	3,917,735	(Int’l Class: 9) Hardware and software for processing credit card, debit card, and gift card transactions via mobile devices.	August 5, 2009	February 8, 2011
SQUARE	3,962,489	(Int’l Class: 35) Reconciling credit card, debit card, and gift card accounts transactions via a global computer network. (Int’l Class: 36) Reconciling, namely, processing credit card, debit card, and gift card transactions via a global computer network. (Int’l Class: 38) Providing electronic transmission of credit card, debit card, and gift card transaction data, namely, charges.	August 5, 2009	May 17, 2011

Opposer’s SQUARE registrations (“Opposer’s SQUARE Marks”) are valid and subsisting and are conclusive evidence of Opposer’s exclusive right to use the SQUARE marks in commerce in connection with the goods and services specified therein. There is no issue as to priority.

Opposer’s SQUARE Marks were all filed and registered prior to the Application filing date.

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3. Opposer is also the owner of the following pending US Trademark applications for SQUARE-based marks:

Trademark	Serial No.	Full Goods Description	Filing Date
SQUARE UP	77/914,191	(Int'l Class: 9) Hardware and software for processing credit card, debit card, and gift card transactions via mobile devices.	January 18, 2010
SQUARE UP	77/914,193	(Int'l Class: 36) Electronic payment services, namely, reconciling financial transaction accounts for others via a global computer network.	January 18, 2010
SQUARE UP	77/914,194	(Int'l Class: 38) Providing electronic transmission of credit card, debit card, and gift card transaction data, namely, charges and payments.	January 18, 2010

4. Opposer's pending applications listed in Paragraph 3 above are valid and subsisting. There is no issue as to priority with regard to the pending applications as Opposer's SQUARE UP marks were filed prior to the Application filing date.

5. Opposer is in the business of designing, manufacturing, marketing, selling, and providing goods and services for use in connection with hardware, software and services for credit, debit card and prepaid card payments, as well as payment processing services. Since at least as early as July 2009, Opposer has used Opposer's SQUARE Marks in connection with the various goods and services listed in Reg. Nos. 3,917,735 and 3,962,489.

6. The aforementioned nationwide trademark and service mark use of Opposer's SQUARE Marks has been valid and continuous since the date of first use of each and has not been abandoned. As a consequence of Opposer's extensive marketing, promotion, advertising, and sales activity, Opposer's SQUARE Marks have come to be identified as designators of Opposer's goods and services, and as a result, have become valuable assets of Opposer, and principal symbols of its goodwill, and SQUARE is now famous. Similarly, the <squareup.com> domain name, which Opposer began using in July 2009, and the corresponding

website have become valuable assets of Opposer and the source of information for consumers regarding Opposer's products and services.

7. Since Opposer's launch in 2009, it has become an industry leader in the area of payment solutions for entrepreneurs and businesses. Opposer's hardware, software, and payment processing services enable individuals and businesses to accept and make credit, debit and prepaid card payments via an elegant and easy-to-use card reader and via mobile applications compatible with Apple OS and Android devices. As of the filing date of this Notice of Opposition, Opposer has enabled more than three million individuals and businesses to accept payment via its devices and services. Opposer's SQUARE Marks are extensively used and easily recognized throughout the United States.

8. Opposer has received considerable publicity from third-party sources, who have written numerous print and web-based articles specifically about Square, Opposer's SQUARE Marks, and Opposer's goods and services. In the last year alone, Opposer was featured in USA Today, The New York Times, Entrepreneur Magazine, Wired Magazine, CBS This Morning, Marketplace, and listed as one of Fast Company's top-five most innovative companies. On August 8, 2012, Starbucks and Opposer announced to widespread national publicity that Starbucks had selected Opposer to be its payment processor at 7,000 Starbucks locations across the United States. On October 4, 2012, Starbucks and Opposer announced that, beginning in November 2012, Starbucks will begin accepting Square Wallet mobile payments at its roughly 7,000 company operated U.S. stores. Copies of these articles are hereto at Exhibit A. Such publicity serves to further establish the fame, customer recognition, and goodwill in Opposer's SQUARE Marks nationwide.

9. Notably, goods sold under Opposer's SQUARE Marks are sold at some of the largest and most recognizable retail shopping chains in the United States, including Walmart, Target, Best Buy, Staples, and Apple stores. Opposer's SQUARE Marks were even featured as part of Best Buy's Innovations 2011 Super Bowl commercial, among other such famous innovations as Shazam, SMS messaging, the camera phone, and text-to-speech capabilities. A

copy of an article discussing the Best Buy commercial honoring Opposer is attached hereto as Exhibit B.

10. Opposer's goods and services have been advertised, promoted, marketed, offered and or rendered in connection with Opposer's SQUARE Marks, since at least as early as July 2009, and continuously since then. Opposer has spent considerable time, money, and effort promoting Opposer's SQUARE Marks on the Internet, including on Opposer's website at <squareup.com>, and via other media, as well as developing customer recognition and goodwill in the marks nationwide via both printed, web-based, mass media, and television advertisements, publications, and commercials. Images, videos, and promotions featured on Square's website at <squareup.com> are representative. A few screenshots of Square's website are attached hereto as Exhibit C. Opposer's SQUARE Marks have become so respected and widespread that both President Obama's and Mr. Romney's 2012 political campaigns accepted contributions using the same famous card reader: the SQUARE device offered by Opposer.

11. In addition to the general notoriety and well known nature of Opposer's SQUARE Marks, Opposer's <squareup.com> website provides a directory of thousands of merchants and businesses that use or accept Opposer's devices and mobile payment services. Consumers are therefore familiar with Opposer's use of its SQUARE Marks.

12. Opposer's SQUARE Marks are famous, distinctive, and widely recognized as the source of leading financial payment solutions for mobile devices. After continuous use for over three years in connection with Opposer's highly publicized and successful business, Opposer's SQUARE Marks have come to be immediately identified as the source of Opposer's goods and services. As a result of Opposer's efforts, the SQUARE Marks have attained widespread public recognition and renown, and become identified in the minds of consumers exclusively with Opposer's goods and services. Undoubtedly, Opposer's SQUARE Marks have become an asset of substantial value and a symbol of Opposer's goodwill.

13. Opposer's SQUARE Marks became famous prior to Applicant's filing of the application for ESQUARE in July 2012, and well before Applicant's adoption of the SPOTSQUARE mark.

14. On information and belief, Applicant was aware of Opposer prior to its adoption of ESQUARE.

15. On information and belief, Applicant was aware of Opposer's SQUARE Marks prior to its adoption of ESQUARE.

16. Applicant also had constructive knowledge of the Opposer's SQUARE Marks as early as August 5, 2009, due to Opposer's federal applications for such marks with the U.S. Patent and Trademark Office ("USPTO").

17. In addition to Applicant's constructive knowledge as of August 5, 2009, on information and belief, Applicant was aware of Opposer and Opposer's Marks prior to its adoption of ESQUARE because of the significant publicity surrounding Opposer before and after the commercial launch of its SQUARE product in July 2009.

18. Applicant applied for registration of ESQUARE without the consent or agreement of the Opposer.

19. The dominant portions of the respective parties' marks are identical, as ESQUARE wholly and prominently incorporates Opposer's widely recognized, famous and distinctive SQUARE Marks. Applicant's inclusion of the letter "E" does little to distinguish ESQUARE from Opposer's widely recognized and famous SQUARE Marks as the letter "E" is a commonly used and recognized reference to "electronic" as in "e-commerce" and is therefore descriptive and of little trademark significance. There can be no doubt that the marks look similar and convey substantially the same commercial impression.

20. Opposer's products and services are mobile apps that facilitate and enhance the ease with which merchants and consumers are able to take, make, process, complete credit, debit and prepaid card sales and transactions and store, track and analyze transactions and the forms of payment they accept, all of which results in increased sales of products and services

and in the process delivers a superior purchasing experience for the consumer. Opposer markets its products and services to small, medium and large merchants and consumers. Applicant proposes to register ESQUARE for, among other things, “computer applications” and “mobile phones”, “software for sales system integration”, “sales” and “transaction processing.” In view of the similarities between the marks and the parties’ substantially identical commercial markets, it is alleged that Applicant’s ESQUARE mark so resembles Opposer’s SQUARE Marks as to be likely to cause confusion or mistake or to deceive, thereby causing loss, damage, and injury to Opposer and the purchasing public.

21. In view of the similarity of the respective marks and the related nature of the goods of the respective parties, Applicant’s proposed use and registration of the ESQUARE mark is likely to cause confusion or mistake or to deceive, and to disparage and falsely suggest a connection with Opposer, thereby causing loss, damage, and injury to Opposer and the purchasing public. The extent of potential confusion among consumers between the Application and Opposer’s SQUARE Marks is substantial. Indeed, the apparent motivation for Applicant’s use of ESQUARE is to trade and profit on that confusion.

22. Consumers familiar with Opposer’s SQUARE Marks are likely to believe mistakenly that Applicant’s goods are sponsored, authorized, associated with, or otherwise approved by Opposer because ESQUARE is nearly identical to Opposer’s SQUARE Marks, and the functionality of the software with which Applicant proposes to use the ESQUARE mark directly overlaps with Opposer’s services. Inferior quality of Applicant’s software or related services is likely to reflect negatively upon, tarnish and seriously injure the reputation that Opposer has established for the goods and services marketed under Opposer’s SQUARE Marks. This is likely to result in loss of revenues to Opposer and damage to Opposer’s reputation.

23. Applicant’s use of ESQUARE does, and is likely to, falsely suggest a relationship between Applicant’s goods and Opposer’s goods and services. Such use is thus likely to cause a significant increase in the level of Applicant’s sales due to consumers’ mistaken belief that Opposer is the source or sponsor of Applicant’s goods. Applicant’s use of ESQUARE

is therefore likely to result in Applicant's trading off and benefiting from the goodwill associated with Opposer, resulting in ill-gotten gains by Applicant.

24. Registration of the Application would be a further source of damage to Opposer because it would confer upon Applicant various statutory presumptions to which it is not entitled in view of Opposer's prior use of its famous and distinctive marks.

25. In the unlikely event that any consumer might not be confused and believe that Applicant's goods originate from or are related to those of Opposer, Applicant's use of ESQUARE would nonetheless diminish the distinctive quality of Opposer's SQUARE Marks, thereby causing dilution of Opposer's famous SQUARE Marks in violation of Lanham Act Section 43(c), 15 U.S.C. § 1125(c), and in violation of Opposer's rights under state dilution and unfair competition law. As a result, the ability of Opposer's SQUARE Marks to identify Opposer's goods and services is weakened, thereby causing loss, damage, and injury to Opposer. Such association will also harm the reputation of Opposer's SQUARE Marks. For example, inferior performance, deficiencies or other faults in Applicant's goods are likely to reflect negatively upon, tarnish, and seriously injure the reputation which Opposer has established for the goods and services marketed under Opposer's SQUARE Marks. This will likely result in a loss of revenues to Opposer and damage to Opposer's reputation and good will.

26. Such use constitutes tarnishment, blurring, and disparagement of the SQUARE Marks and will diminish the value of the marks in violation of 15 U.S.C. §§ 1052, 1063(a) and 1125(c).

27. For the foregoing reasons, the registration sought by Applicant are contrary to the provisions of the Lanham Act, 15 U.S.C. §§ 1052 and 1125, and Opposer would be damaged thereby.

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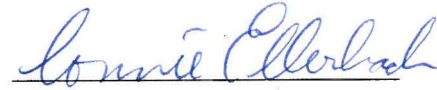
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WHEREFORE, Opposer prays that this Notice of Opposition be sustained and that the Application be rejected.

Respectfully submitted,
FENWICK & WEST LLP

Date: April 10, 2013



Connie L. Ellerbach, Esq.
Attorney for Opposer
FENWICK & WEST LLP
Silicon Valley Center
801 California Street
Mountain View, CA 94041
(650) 988-8500
trademarks@fenwick.com

CERTIFICATE OF SERVICE

The undersigned declares that:

I, Anita Ersoy, am employed in the County of Santa Clara, State of California. I am over the age of 18 and not a party to this action. My business address is: Fenwick & West LLP, Silicon Valley Center, 801 California Street, Mountain View, CA 94041.

On April 10, 2013, I caused to be served the attached:

NOTICE OF OPPOSITION

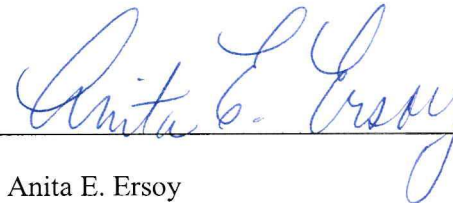
on the parties in the subject action by placing a true copy thereof as indicated below, address:

Eric Winokur
e2 Auto LLC
3131 S. Bascom Ave. Ste. 210
Campbell, CA 95008-6754

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: April 10, 2013



Anita E. Ersoy

Exhibit A

August 8, 2012

Starbucks and Square to Team Up

By **CLAIRE CAIN MILLER**

SAN FRANCISCO —Cash moved one small step nearer to its deathbed with the announcement on Wednesday that Square, the mobile payments start-up, would form a partnership with the Starbucks Coffee Company.

This fall, Square will begin processing all credit and debit card transactions at Starbucks stores in the United States and eventually customers will be able to order a grande vanilla latte and charge it to their credit cards simply by saying their names.

Though smartphone payments have a long way to go before they replace wallets altogether, Starbucks's adoption of Square will catapult the start-up's technology onto street corners nationwide, and is the clearest sign yet that mobile payments could become mainstream.

"Anyone who's going to break the mobile payments barrier in the U.S. has to overcome the resistance to try anything new when everything we have works really, really well, even cash, which is very convenient," said Bill Maurer, director of the Institute for Money, Technology and Financial Inclusion at the University of California, Irvine.

"But if a big merchant jumping into some mobile payment solution signals to other merchants that there is an opportunity here," he added, "that might change the psychology for other merchants."

Starbucks is also investing \$25 million in Square as part of its latest round of financing, which values the company at \$3.25 billion, and Howard D. Schultz, Starbucks's chief executive, will join Square's board.

Starbucks has offered its own mobile payment app since last year and processes more than a million mobile payments a week. Customers will continue to be able to use it, but they will also be able to use Pay With Square, Square's cellphone app, which eliminates even having to take the phone out of your pocket or sign a receipt.

At first, Starbucks customers will need to show the merchant a bar code on their phones. But when

Starbucks uses Square's full GPS technology, the customer's phone will automatically notify the store that the customer has entered, and the customer's name and photo will pop up on the cashier's screen. The customer will give the merchant his or her name, Starbucks will match the photo and the payment will be complete.

Even though Square's app has [been well reviewed](#), it has not caught on with shoppers, which has been Square's biggest challenge as it tries to expand. That is in large part because of the limited number of merchants that accept payments that way. Most of Square's users are small businesses, like farm stands or cafes that also use Square's credit card reader.

Starbucks, which will be far and away the largest business using Square, could change that.

"Starbucks is one of the largest organizations in the world, taking technology like Square —simple, fast and focused on customer experience —and bringing it to a massive scale," said Jack Dorsey, Square's co-founder and chief executive.

Square, which was introduced in 2010, is one of many businesses —like Google, PayPal, Sprint and Microsoft and start-ups like Scvngr and GoPago —that are trying to offer mobile payments. But they have been slow to catch on because they require the cooperation of many players, including retailers, credit card companies, banks, cellphone carriers and phone makers. And Americans have been just as happy to pull out their credit cards as their cellphones to make a payment.

Denee Carrington, a Forrester analyst who recently wrote a report on mobile payments, said that mobile payment providers would need to offer a compelling, safe and convenient experience for shoppers, and that the applications would have to make good use of their personal data, like spending habits, to offer valuable services.

Forrester estimates that 30 percent of American mobile phone owners are interested in using mobile payments, based on a survey polling about 7,600 adults in the United States. It found that younger consumers are the most amenable to using mobile wallets. Still, it predicts that it will take another three to five years before mobile payments reach critical mass in the domestic market.

"We are still in the early days of mobile payments specifically, but the market is accelerating, especially the amount of innovation that's happening in the marketplace," Ms. Carrington said.

Square has so far been most popular in small coffee shops, but Mr. Dorsey and Mr. Schultz said that even though the start-up was now doing business with the nation's biggest coffee chain, the partnership would benefit those small businesses. More customers will have the app, they said, and it will show small businesses near Starbucks stores.

“My hope is that by creating a national footprint for Square technology in all Starbucks stores in the U.S., that it will be a catalyst for Square to get access to tens of thousands of other small business and democratize payments,” Mr. Schultz said.

Brian X. Chen contributed reporting from New York.

Bloomberg Businessweek

News From Bloomberg

Starbucks Invests \$25 Million in Mobile Payment Provider

By Leslie Patton and Danielle Kucera on August 08, 2012

<http://www.businessweek.com/news/2012-08-08/starbucks-invests-25-million-in-mobile-payment-provider>

Starbucks Corp. ([SBUX](#)), the largest coffee-shop chain, will use Square Inc.'s payment system in 7,000 stores and invest \$25 million in the startup, making it easier for customers to make purchases with mobile phones.

Starbucks Chief Executive Officer Howard Schultz will join the board of Square, which was started in 2009 by Twitter Inc. co-founder Jack Dorsey. Square's software lets merchants accept electronic payments on their own hardware or through a device that plugs into a phone or tablet.

Starbucks is marrying its own mobile-phone payment program with Square's transaction-processing tools, angling to make it as easy as possible to buy a latte at its U.S. stores. The investment is part of \$200 million in funding that gives San Francisco-based Square a valuation of \$3.25 billion, a person with knowledge of the matter said.

"Every tech company is trying to crack the code and chase down how to monetize their business in regard to mobile and mobile payments," Schultz said in an interview. "It's the fastest-growing opportunity we've ever seen in terms of customer acceptance."

Starbucks already processes more than 1 million mobile purchases a week in the U.S. through its smartphone app, and has logged more than 60 million since its introduction, Schultz said.

Starbucks App

The Seattle-based coffee brewer last year expanded its mobile-payment programs in the U.S. by offering the Starbucks application on Google Inc. ([GOOG](#))'s Android software. The app, which is also available for Apple ([AAPL](#)) Inc.'s iPhone, lets users buy coffee and other items with a Starbucks card by scanning a barcode on the screen of the phone.

Square's software will similarly let Starbucks customers pay by scanning an enabled phone -- only Square will now process the payments, Dorsey said. Square typically charges merchants a flat rate of 2.75 percent to process credit-card transactions.

"We've always built the company and the technology around the idea of it being used by an individual all the way up to the largest organization in the world," Dorsey said in an interview. "It should scale effortlessly between that range."

The market for mobile payments may top \$170 billion in transactions by 2015, compared with about \$60 billion last year, according to Juniper Research Ltd.

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as of 04:03 PM

Small businesses turn to Square for credit transactions

By Jon Swartz, USA TODAY

Updated 12/9/2011 1:12 PM

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SAN FRANCISCO—Cabbie David Mendoza reaches for his iPhone and plugs in a spiffy Square Reader to process a ride's fare.

"When customers see it, they either say 'What is that cool device?' or 'Hey, that's Square,'" says Mendoza, 32, who used to struggle with a bulky payment device that was slow to pay him and hard to store records on.

Within a week of using Square, Mendoza was sold on the device — as were his customers, many of whom would rather pay with a credit card instead of cash. "I wanted simple, and got it," says the cab driver.

Mendoza is one in a growing legion of devotees to Square, a credit card-processing company co-founded by Twitter inventor Jack Dorsey. Merchants nationwide have snapped up the small, white plastic device to quickly and inexpensively accept payments.

Despite a struggling economy, Square has found a lucrative niche among small businesses and is becoming a go-to fixture for a variety of companies — ranging from those hawking quirky goods to vendors at local farmers' markets. Even some Salvation Army bell ringers collect charitable donations via the Square Reader.

This year, Square, which makes its money by collecting transaction fees, has helped merchants process sales for \$2 billion worth of luxury goods, such as jewelry, and for specialized services, such as massages and goodies at vegan-doughnut shops. The average purchase on

Square: \$75.

But Square faces formidable competitors and major hurdles to becoming a force with big retailers and corporations. "While Square is new, it's just facilitating a 50-year-old payment mechanism — mag-stripe cards," says Nick Holland, an analyst at market researcher Yankee Group.

Mobile-payment transactions are expected to nearly double this year, to \$86.1 billion from \$48.9 billion in 2010, according to market researcher Gartner. Worldwide mobile payment users, meanwhile, will swell 40%, to 141.1 million in 2011, from 102.1 million in 2010.

Others have taken note of the trend lines. Google is the latest company to jump into the fray, joining PayPal, Intuit and scores of others. "It is a gold rush," Holland says.

Squaring up

Since its device and app became available last year, Square has gained more than 800,000 customers, who typically pick up Square for free through the company's website,

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or with a rebate from retail stores including Apple, Best Buy, Wal-Mart, Target and RadioShack.

Smaller businesses primarily use Square's small white plastic device, which plugs into the headphone jacks of mobile phones and tablets, to perform transactions.

The start-up has grown quickly by raising capital from the likes of Visa and venture capital firm Kleiner Perkins Caufield & Byers and Sequoia Capital, and enlisting heavyweights such as Sun Microsystems co-founder Vinod Khosla and former U.S. Treasury secretary Lawrence Summers to its board of directors.

When Square landed \$100 million in funding in June, some analysts pegged its market value at more than \$1 billion. Virgin Group head Richard Branson invested an undisclosed multimillion-dollar amount in November.

Square's card reader and apps have caught on because of the "transparency and simplicity" the company has brought to transactions for businesses, says Keith Rabois, Square's chief operating officer.

Customers who purchase smartphones at Best Buy often pick up a Square Reader in the process, says Robert Stephens, chief technology officer at the retailer.

The feisty, 200-person private company based here, has no intention of ceding its place as a favorite among pop-up shops and individual entrepreneurs.

"Square is hitting its stride," says Holland. "When they first started, I thought: 'Not a chance.' But it has found many niche markets, it's free, and it improves cash flow for small businesses, which many live and die on."

Early adopters of Square attest to its simplicity. Says Miki Nishihata, owner of Hello Bicycles in Seattle: "There is no risk in starting with Square, and no cost to have it available, even if not frequently used."

Joey Garza, a private massage therapist in Houston, says he wanted to bypass the week-long wait for getting a standard point-of-sales system. It took just a day with Square, which he says has saved him several thousand dollars since he became one of the first merchants to use it in October 2010. He credits low-cost fees associated with Square.

Square was up and running in no time at Zeros, a maker of hand-crafted wallets in Columbus, Ohio. "We did not want to have a traditional point-of-sale and link to some dunky register slapped to a counter," says Zeros owner Paul Westrick.

Traditional point-of-sale systems require an upfront investment and monthly fees. Square sidesteps that through the use of smartphones and tablets, says Rick Oglesby, an analyst at market researcher Aite Group. Square charges merchants a 2.75% fee for each purchase.

Heady competition

The promise of mobile payments has made for a stampede of companies getting into the business.

They're drawn by forecasts that more Americans than ever will buy smartphones and tablet computers this year, raising consumer electronics sales 5% to a record of \$190 billion in 2011, says the Consumer Electronics Association.

Yet the mobile-payments market is growing more slowly than proponents expected, Gartner say. Mass-market adoption for such payments is at least four years away.

Less than 6% of U.S. adults online have used any type of mobile payment, although more are expressing interest — 18%, up from 11% in 2008, according to a Forrester Technographics survey this year. But consumers who do use mobile payment technology are regular users, the survey found.

A look at some mobile-payments competitors:

• American Express' Serve digital-payments platform allows person-to-person payments on mobile phones, online or at merchants that typically accept regular AmEx cards.

• ClearXchange, a joint venture of Bank of America, Chase and Wells Fargo, lets bank customers make person-to-person payments using an e-mail address or mobile phone number.

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Google in September introduced Google Wallet, a platform that uses Near Field Communication (NFC) wireless technology for one-tap payments. By some reports, the market for NFC — which Square does not utilize — is expected to grow, with an increasing number of smartphones embedded with NFC chips inside.

Google's Wallet application incorporates its own type of loyalty program, tailored to automatically apply rewards when a customer spends money at participating businesses. Google also ties in featured offers from its SingleTap partners such as Gap and Jamba Juice, applying any discounts to the purchase with a simple wave of the NFC-enabled device.

"We work with existing (cash) registers as a complementary technology," says Marc Freedman-Finnegan, senior business product manager for Google Wallet. Some 140,000 merchants use the service, including the Gap, Jamba Juice and Foot Locker.

• PayPal is the leader in mobile payments, with a projected \$3.5 billion this year, vs. \$750 million in 2010. It boasts 103 million active users, and in the next 12 to 24 months, it plans to unveil technologies that give consumers the choice to "swipe, enter or tap" mobile devices when they pay.

In the past two years, consumers have become more comfortable making payments with mobile devices, says Sam Shrauger, vice president of global product and experience at PayPal.

• Intuit's GoPayment has partnered with Verizon Wireless and AT&T to roll out a mobile payments strategy for its 8 million small-business customers that generate \$2.6 trillion, or nearly one-fifth of the U.S. GDP.

• Another contender, WePay, is a website that lets anyone send bills, sell tickets or accept payments. No merchant account, website or programming is required.

• In May, Visa announced a new product to make it simpler for consumers to make mobile payments and to shop online, with a user name and password instead of entering a 16-digit card number and shipping/billing address. Last month, Visa unveiled its name for the product, V.me by Visa. V.me will integrate Visa's NFC-based contactless technology, Visa PayWave, which it has also licensed to Google Wallet and Isis.

It adds up to heady competition for Square which — despite big investments and a high-profile board — is "not on the radar, (from) a global retail perspective," says Matt Kaden, senior associate at investment-banking firm Net Worth Solutions. "To be fair, it is focusing on individual entrepreneurs and pop-up type shops. They are creating a new model that caters well to small businesses."

Compelling as it is for many merchants, it's unclear what impact Square will have on POS systems, says Internet analyst Greg Sterling.

"One thing is sure: Square will be either acquired by a financial institution or go public," he says. "That's not a bad scenario."

—

New products aimed at larger businesses

In the past few months, Square has taken steps toward serving larger businesses:

• Last month, Square said its reader and app now works wirelessly with cash drawers and receipt printers that merchants already own. The Square Register, available since May, turns iPads into cash registers.

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- An update to Square's app for iOS and Android, also available in November, includes the ability to automatically provide loyalty discounts for regular customers.
- Square's recent Card Case application lets consumers "Pay with their Name" at nearby merchants. Card Case uses location data to determine where a user is so that person can pay for things using credit or debit cards linked to their Square account.

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My coffeeshop (www.paracoffee.com) in Charlottesville Virginia started using square for transactions \$10 and under because of the 2.75% transaction fee. A \$2 transaction went from 1.29% + 15 cent swipe fee... to under 6 cents. At \$10 and over it starts costing more on square than our other card processor. I estimate that we saved over \$3,000 since March on card transactions.

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Disruptions: Design Sets the Tone at a New Start-Up

By [NICK BILTON](#)

Lee/Bloomberg NewsJack

Dorsey, Square's chief executive and co-founder, said the company's offices are designed in an open-air environment to promote trust and transparency in employees.

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The headquarters of the start-up Square would be the absolute worst place to play hide-and-seek. There are no offices. Executives sit in open cubicles. All of the conference rooms, large and small, are surrounded by walls of clear glass. The only real place to hide, thankfully, would be the toilet.

This openness might seem odd given what Square does. It manages more than \$2 billion a year in credit card transactions made through mobile phones. But the company is set up this way by Jack Dorsey, Square's chief executive and co-founder, for a reason: to promote trust and transparency in its employees, which it hopes will translate to its customers. Design, he believes, has the power to determine a distinct mind-set, something he needs if Square is to succeed as a mobile payment system.

If Willy Wonka built a financial institution, instead of a chocolate factory, it would look something like Square. During an interview at the company's San Francisco offices with Mr. Dorsey, we sat at a square table, in a square glass conference room — all of which are named after a famous town squares from around the world. Mr. Dorsey was eating nuts out of a square bowl. (Don't worry, the nuts were still round, I checked.) Employees are even referred to as Squares.

"We believe strongly that the company is going to be reflected in the product and vice-versa," Mr. Dorsey said. "The internal matches the external and the external matches the internal, and if we can't provide a clean, simple, well-designed experience in here, it's not going to be reflected in our identity. It's in our DNA." (Mr. Dorsey also is the chairman and co-founder of [Twitter](#), where his obsession with openness is not as extreme.)

Square also borrows metaphors from traditional institutions, including the old United States Mint building, which sits across the street from the company's office. "It looks like something that is built to last; it looks like it will stay up forever," he said. "So how do you build that into pixels instead of stone?"

For centuries banks were built with thick stone walls, marble slab floors and heavy metal doors, all of which gave customers the feeling that bankers were dependable and trustworthy.

Square transactions primarily occur on a small plastic plug, inserted into a smartphone's headphone jack, through which people swipe credit cards.

A hefty chunk of marble it is not. Square's front door to customers is a smartphone application. Square has to provide the simplest experience possible, Mr. Dorsey believes, because, along with good design, it will evoke trust and confidence in a new financial institution that lives in a smartphone.

"We need to build something that never gets in the way of our users doing what they want to do," he said. That concern is necessary because Square lacks the money to use mass media to show people how it works. When [JPMorgan Chase](#) introduced a new mobile feature that gave its banking customers the ability to deposit checks with their mobile phones, the financial behemoth spent millions of dollars on charming television and print ads of newlyweds in bed getting their wedding haul of checks into the bank.

Square has accrued a million customers just by word of mouth. That's a tiny portion of all merchants accepting credit cards, so it still has a lot of work to do. "Traditionally in a financial institution, you have massive barriers to working together, you have a risk-averse culture and you have a lot of fear," Mr. Dorsey said. "It's rare for a financial institution to focus on design first."

While the approach sounds very New Age-Touchy Feely-California, Silicon Valley companies have shown over and over again — think [Apple](#), [Google](#), [Intuit](#) — that clean and thoughtful design can win converts to a new way of doing things.

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What's Popular Now

Salvation Army Capt. Duane Burielgh, right, and volunteer Jon White rang bells in front of a Wal-Mart in Virginia last week.
By STEPHANIE STROM and CLAIRE CAIN MILLER
Published: November 15, 2011

Soon, the holiday sounds of coins clinking into red kettles may disappear, replaced by the silence of a credit card swipe.

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The Salvation Army has begun shifting into digital donations, as fewer and fewer shoppers carry much change or bills.

This year, the charity is testing the use of Square, a mobile payments start-up that allows anyone to accept credit card payments via mobile devices.

"A lot of people just don't carry cash any more," said Maj. George Hood, the Salvation Army's spokesman. "We're basically trying to make sure we're keeping up with our donors and embrace the new technologies they're embracing."

The Army, with nearly \$2 billion in annual revenue, was the biggest and most visible charity to adopt the technology. Other nonprofit groups and individual fund-raisers have used it too. A Girl Scout troop in Silicon Valley, for instance, used it earlier this year to sell some 400 boxes of cookies at Facebook's headquarters after the father of one troop member who worked there realized that many of his colleagues did not carry cash, according to Advertising Age.

Lucy Bernholz, an expert on the use of technology by nonprofits, said this could have enormous potential. "It's a no-brainer," Ms. Bernholz said. "It's frictionless and will make it so easy to give that if the person ringing the bell can get your attention, there's no excuse any more because chances are you've got a credit card in your pocket."

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Jack Dorsey, Square's co-founder and chief executive, who also co-founded Twitter, is confident that Square is simpler than other methods of digital fund-raising because all it requires of a donor is to swipe a card and sign.

"Instead of training people on an entirely new behavior, an entirely new way to pay, we just use what they know," Mr. Dorsey said. "It doesn't require them to learn anything new and it doesn't require the merchant or organization to learn anything new."

Though 800,000 merchants accept \$2 billion in payments a year using Square devices, they are mostly small ones like farmstands, hair salons and taxi drivers, and many shoppers have not seen it in action.

The Salvation Army plans to put Square to use at 10 locations each in Dallas, San Francisco, Chicago and New York. Bell ringers will carry Android smartphones donated by Sprint Nextel that are equipped with Square's postage-stamp-size card reader and two apps, one from Square and one from the Salvation Army. Donors swipe a card, just as they would at any credit card processing terminal, and the money goes into the Salvation Army's account.

Square, which charges a 2.75 percent fee on every transaction, a majority of which goes to the credit card companies, uses the same security measures as financial institutions and, the company said, has an added level of safety because the payer must be present to make the payment.

Greater use of credit cards also helps the Army reduce the theft that nonprofits might experience when cash is collected in small amounts.

Three years ago, the Army added traditional credit card processing terminals to the Red Kettle Campaign with mixed results — it gathered just \$60,000 that way in 2009, the last year the program was used nationally. In comparison, more than \$148 million in coins and bills were tossed into the Army's red kettles in 2010.

"The credit card terminals really haven't been a blockbuster, I'll be candid," Major Hood said. "The winter elements have been a negative, people have to go through a process of entering data, and it's just generally more cumbersome than we think Square will be."

The partnership was the brainchild of William Raduchel, an investor in tech start-ups who has worked at Sun Microsystems, AOL and Xerox and who sits on the Army's national advisory board. "When I saw Square, I realized immediately the implications for the Army in terms of getting money," Mr. Raduchel said.

After playing with Square a bit himself, he got in touch with Vinod Khosla, a friend whose venture capital fund is one of the company's biggest investors, and asked for an introduction.

He has already used Square's device to donate \$1,000 to the Army, and said that despite its age, the organization was open to new technologies.

"The Army does listen to advice," he said. "It may not agree and sometimes it takes a while to convince the top managers, but in this case, they were very fast to conclude this made sense for them."

Mr. Dorsey said that marrying a cutting-edge technology with an institution established in 1865 was fitting. "It definitely is a throwback, but that age was an age of curiosity and innovation and particularly craftsmanship," he said, "and as we build the product, we're thinking about craftsmanship and details and experience."

This article has been revised to reflect the following correction:

Correction: November 18, 2011

An article on Wednesday about the Salvation Army's experiment with accepting donations by mobile payments misstated the year the organization was established. It was 1865 — not 1852, which is the year its founder, William Booth, started preaching.



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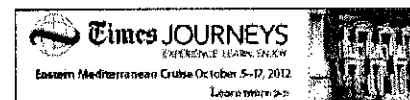
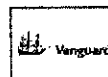
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BY JENNIFER WANG | December 21, 2011 | 8

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When Miki Nishihata opened Hello Bicycle in October 2008, he had some cool ideas for drumming up business. He stocked the quirky bike shop in Seattle's Beacon Hill neighborhood with an ice cream machine and an espresso maker—big hits, of course. But he was missing one important feature: His was one of 26 million U.S. small businesses that don't accept credit cards.

"Credit cards and me didn't get along," Nishihata explains, citing "exorbitant" monthly fees, long-term contracts, the cost of buying a card reader and the need for a dedicated phone line. As a cash business, he did OK, but felt he was likely losing out on some sales.

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Then, a customer introduced him to the idea of mobile payments. "I heard about this thing called Square, and that all I needed was a smartphone and I could take American Express cards without anybody having to pay extra for it," he says.

In January 2011, Nishihata signed up with Square, received a free card reader and began taking credit cards. The result? The number of transactions at Hello Bicycle doubled last year, and revenue nearly tripled compared to 2010. Further, he's thrilled with the eco-friendly paperless system and his ability to track the shop's transactions live from his office about 8 miles away.

Nishihata's situation is not unique. Joey Garza, a sports massage therapist and owner of Houston's Urban Therapy, joined the waiting list the moment he learned about Square. After getting his reader, he experienced a 10 percent increase in clients in the first couple of months.



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"It was a turning point for me," he says. The system allowed Garza to take payments wherever clients wanted to meet, assuaging people who were uncomfortable carrying cash around. In fact, 70 percent of Urban Therapy's customers prefer to pay by credit card, and Garza says he's probably twice as busy as peers who only accept cash.

Mobile systems are transforming the payment environment. According to investment bank Barclays Capital, U.S. mobile commerce sales—that is, purchases made on smartphones and tablets—hit \$5.3 billion in 2011, up 83 percent from the year before. Generator Research, a consulting firm specializing in digital media, projects that by 2014, usage by consumers will grow 600 percent to 490 million worldwide.

"It's a better way," says Mark Herrington, executive vice president of global product management and innovation at First Data, an Atlanta company that handles payment processing and verification for 4.1 million U.S. merchant locations and provides partner services for the Google Wallet mobile payment system. "At the beginning [of 2011], we asked people how long it would take for phone transactions to surpass credit cards, and most said 10-plus years. Now it's three to five, because it's become clear that consumers, especially younger generations, are passionate about mobile phones and make shopping choices based on how they want to pay."

And there's more in it for business owners than increased sales, notes Greg Hammermaster, president of McLean, Va.-based Sage Payment Solutions, which recently added a mobile acceptance device to its suite of services. (A pilot program with the Girl Scouts has yielded "incredible" results, he says, with customers buying three to four boxes of cookies instead of just one.) Hammermaster believes the real opportunity lies in innovations that improve business processes. "Think about invoicing, remittances—anything where there is a payment transaction at its core," he says. "All these are mobile apps waiting to happen and will bring so much more value to business owners."

Chances are, you've already encountered mobile payments (and experienced the rush of writing a signature with your finger) in the form of dongle-based technology, recognizable by a card reader that attaches to a mobile device via its audio jack. Such systems are fast becoming a familiar sight at food-truck festivals and crafts fairs.

The commanding leader in the dongle field is Square, the company that kicked off the trend in May 2010 and is now working with household brands like Visa. Square has more than 800,000 readers in circulation, despite complaints by some merchants about customer service and unsatisfactory user experience with smartphones. (The iPad gets star treatment.)

Square got its start in early 2009, when Twitter co-founder Jack Dorsey heard that his one-time boss, glass artisan Jim McKelvey, lost out on a \$2,000 sale because he didn't accept credit cards. Dorsey figured that since people were walking around with the equivalent of a personal computer in their pockets, he could harness that technology and come up with a better payment system.

It took just a month for Dorsey and McKelvey to develop the Square code and hardware, and an additional year was spent navigating the legal and risk constraints within the financial services system. The result: Square merchants can begin accepting credit card payments in less than a minute, with no credit check, and the money from transactions is deposited into their accounts the very next day. (Typically, setting up a merchant account requires an application and long waiting process, followed by mounting fees if you're lucky enough to get approved.)

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It's hip to be Square founder Jack Dorsey.
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Square COO Keith Rabois says Square's mission is to make the buying and selling process more transparent, after years in which credit card systems have gained a negative reputation for confusing structures that often include hidden fees. "We obviated all that," he says. "The process of buying and selling on Square really stands out, and consumers who run businesses on the side, like SAT tutoring or a farmers market stand, immediately see the value."

Indeed, since the official launch in October 2010, the amount of payments processed has doubled every quarter, and the company is on track to process \$2 billion in payments annually.

North American Bancard (NAB), a \$400 million private payment processing company based just outside of Detroit, jumped into the dongle payments game last February with the release of Pay Anywhere, an app and card reader about the size and shape of an orange slice.

NAB founder Marc Gardner realized mobile was a great opportunity in 2001, when he first encountered the technology in Europe while on a shopping expedition with his wife. "The sales clerk came by with a wireless credit card machine while my wife was trying shoes on," he says. "I thought that was pretty slick, but it wasn't until recently that the technology caught up to its potential."

Enrollment in Pay Anywhere is "exceeding our most aggressive expectations, and it's going to continue to grow astronomically," Gardner says, adding that thousands of business owners are signing up every month, wooed by 2.69 percent transaction fees (among the lowest in the market), free hardware and cool software features like business analytics and the ability to toggle between different accounts on the same device. All in all, it's a better user experience for a more affordable price, which is why NAB has halted purchases of mobile credit card terminal hardware in favor of its own Pay Anywhere solution, for a savings of \$3 million last year.

The headline-maker in mobile payments for 2012 is expected to be near field communication (NFC) technology. Google has already tapped into this with Google Wallet, a service that allows customers to pay by merely tapping their phones—those loaded with card information embedded in an NFC chip—against a contact sales reader. The system has been adopted by chains like Peet's Coffee & Tea, and there are several hundred thousand readers in circulation.

NFC technology will face some competition this spring and summer. That's when Isis, a similar mobile platform representing a joint venture between AT&T, T-Mobile and Verizon (telcos that have access to 220 million handsets and existing relationships with credit card companies), rolls out in Salt Lake City and Austin, Texas—before a planned nationwide launch in 2013.

"Consumers carry up to 800 million credit cards between them, and when you put that together with the connectivity of the mobile phone, there's potential to really change the way consumers shop, pay and save on a cultural scale," says Isis head of marketing Jaymee Johnson, adding that the system can also read loyalty cards and coupons. "One tap of an NFC-capable phone, and you can do it all."

Susan Davenport, senior vice president of global technology initiatives for the Austin Chamber of Commerce, expects Isis to do well because of the city's tech-savvy, early-adopting demographic: 69 percent of the population is younger than 45, including more than 145,000 college students. "Plus, if you look at the city's community of 35,341 private businesses, we have 3,944 in the tech space, and those tech companies employ about 95,000 people, or 12 percent of the regional work force," she says.

Mobile commerce has implications for more than just billing. Andrew Mikesell, m-commerce product director at Dublin, Calif.-based software company Sybase, says there are exciting possibilities for marketing. "There are now opportunities to drive additional business through the

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Swiping of the competition: Marc Gardner, founder of North American Bancard, the maker of Pay Anywhere. Photo: Tom McKenzie

use of real-time and geographical offers, like the idea behind Groupon Now," he says. "Having the ability to market to potential customers, in real time, to those within proximity, is awesome."

Todd DiPaola, co-founder and president of Venice, Calif.-based CheckPoints, which specializes in geolocation promo campaigns (check in, earn points, redeem for prizes), agrees. "That's the magic of bricks and clicks," he says. "You can be in a store and shop online anyway, or be walking down the street getting messages to shop at brick-and-mortar shops."

"To us, this is a thrilling time in history," DiPaola continues. "We've been hearing 'mobile is the future' for a decade or two now, and at some point we got jaded, thinking it never was going to happen. Now with iPhone and Android phones, it's been nonstop acceleration."

As for those business owners who still haven't caught on to the benefits of mobile payments? It's only a matter of time. Mobile solutions will get even better as enterprising individuals see new areas for innovation.

The opportunities are limitless. Dublin, Ohio-based billing provider AppNinjas is targeting established business owners who don't mind paying a monthly fee in exchange for a personal merchant account and a dedicated banker; CEO John Waldron says the company's Swipe app has been adding 300 to 500 merchants per month. Other companies, such as Jumio, are hoping to eliminate the hardware aspect entirely by allowing merchants to scan credit cards with their phone cameras. Still others are targeting specific types of businesses, such as The Service Vault, which is releasing an Android app that co-founder Joey Lane describes as a mobile payment processing extension for its web-based escrow platform. With the app—aimed at the service industry, particularly construction and home repair—a long-term renovation project can be funded upfront and the money held by The Service Vault (for a 1 to 2 percent fee) until both sides are satisfied with the result.



AppNinjas' Swipe system has a monthly fee but comes with a dedicated customer-service specialist.
Photo courtesy of AppNinjas

The payments industry—stagnant for decades—is suddenly brimming with technology that's capable of changing the way businesses operate and consumers view currency. More important, the rise of mobile payments will enable small, local merchants to thrive where they couldn't before. After all, declares Square's Rabois, "going from not being able to accept cards to accepting them is the simplest step a business can take to grow."

This article was originally published in the January 2012 print edition of *Entrepreneur* with the headline: Power Pay.

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The Many Sides of Jack Dorsey

› By [Steven Levy](#)

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› 06.22.12 12:30 PM



Photo: Art Streiber

Conversations with Jack Dorsey frequently veer into obscure subject matter. Job interviews pivot into 30-minute disquisitions on the New York Yankees. Press briefings transform into critiques of Virginia Woolf novels. A comment about Dorsey's game-changing startup, Square—which lets anyone accept credit cards—triggers a lecture on the history of money. Although his manner suggests a taciturn introvert, calmly etching impressions in a notebook while the circus of life spins around him, Dorsey can be downright verbose when talking about one of his seemingly limitless obsessions—maps, journal-keeping, perambulation, CB radio.



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This tendency can become a problem for the 35-year-old Dorsey, whose packed schedule would seem to afford little time for such digressions. In addition to his full-time job as CEO and unofficial chief design officer of [Square](#)—one of the Valley’s hottest startups, which recently sought a valuation of \$4 billion—he also serves as executive chair of [Twitter](#), which launched in 2006 by springboarding off his idea that brief sneezes of communication could deepen human interaction. As the driving force behind the two startup darlings—and as a man who is often mentioned as the spiritual successor to Steve Jobs—Dorsey is in major demand by media bookers, angel investment prospects, and event organizers seeking edgy marquee names to engrave on trophies. (One recent honor: a [Lifetime Achievement Award](#) from the Tribeca Film Festival.)

Today Dorsey has blocked off a slot on his calendar to talk about Square and how the company hopes to infuse financial transactions with a dose of human intimacy. We are sitting in the Taste tea shop in the Hayes Valley neighborhood of San Francisco. It is midday, and we are the only customers. Dorsey has selected this teahouse because its customers pay with Square; instead of a register there is an iPad with the increasingly familiar white plastic cube that accepts credit card swipes. In addition, Taste is an early adopter of Square’s newest offering, which lets patrons pay without even taking their cards out of their wallets.

But our discussion is sidetracked when the proprietor, Vincent Fung, starts a long and complicated explanation of the various tea options. Dorsey—like Jobs—is interested in Eastern thought, and after listening to a detailed rundown of the exotic choices, he approves Fung’s suggestion to try a dark and musty chunk of Pu-erh tea from China’s Yunnan Province. A few minutes later, Fung appears at the booth with a deep wooden tray and begins a carefully choreographed ceremony, pouring a continuous stream of hot water over tiny cups. Then he pours water on top of a lid that partially covers the bowl containing densely packed cakes of tea. Dorsey watches the ritual and appreciatively touches his finger to a worn corner of the tray.

“That’s *wabi-sabi*,” he says.

Dorsey has lots to say about [wabi-sabi](#), a Japanese concept that beauty can be found in imperfection and impermanence. It’s a complicated idea, involving not just art but philosophy as well. “I’ll send you a book about it,” he promises. Dorsey claims that this mysterious aesthetic is at the core of his design philosophy, a simple yet lived-in quality that pleases and engages users on a profound level. Dorsey’s PR man—who has been sitting uncomfortably while the tea has been offered, tiny

madeleines served, and not a word uttered about payment technology—finally speaks. “I love it that you guys have been talking about tea for 40 minutes,” he says unconvincingly.

But Dorsey is just getting started. In the spirit of wabi-sabi, I tell him that Jobs once compared the way the iPod ages to the weathering of blue jeans. This sends Dorsey off on another tangent, as it becomes instantly clear that he is not only an ardent admirer of Jobs but also a student of the denim arts. At one point in his career, just before starting Twitter, he took a course in apparel design, thinking he might become a jeans artisan, and now he leaps at the chance to educate me.

Blue jeans, he claims, were originally made for miners and sea divers. Divers would break them in by sitting in a bathtub until the shrunken fabric embraced their legs like tights. The unintended side effect was to transform each manufactured garment into a unique item that carried the imprint of its wearer’s shape, like a personal journal written in denim.

Naturally, when choosing his own jeans, Dorsey prefers pants that reflect that heritage. He is an aficionado of those made by fashion designer [Scott Morrison](#). Dorsey notes that he plans to make a pilgrimage to Morrison’s shop in New York City’s SoHo district, where they sell jeans made from cotton handpicked in Zimbabwe and woven by craftspeople in Japan. Once, Dorsey says with quiet awe, Morrison provided rigid, unwashed jeans to dishwashers at a New York City restaurant. They wore them constantly in the filthy steaming kitchens, creating a bewitching pattern of wear that was painstakingly replicated by Morrison’s jeansmiths. It’s an elaborate process, all in the pursuit of wabi-sabi.

The conversation is beginning to sound like an episode of *Portlandia* coscripted by Aaron Sorkin and Andrew Ross Sorkin. But Dorsey has really been talking about Square all along. Face-to-face commerce today, Dorsey says, is socially impoverished. Human beings have been handling money for thousands of years, but it is still an awkward, time-consuming, unplugged, and uninspiring experience. *What if it were beautiful?*

Dorsey is trying to create magic in an industry where people have not previously sought wonder and delight. In short, he hopes to pull an Apple on the entire financial world.

Dorsey first showed me his payment app in the summer of 2009, when we met to talk about Twitter. It was bound to be a difficult conversation. Though he was listed as the chair of Twitter’s board, and although the social network was his idea in the first place, he had been effectively shut out of day-to-day operations. Dorsey relinquished the CEO post just as the service was becoming a household word. Instead, cofounders Evan Williams and Biz Stone became the public faces of Twitter, and Dorsey watched from the sidelines as they took an extended victory lap, appearing on *The Colbert Report* and *Charlie Rose*. Dorsey was perilously close to becoming the Pete Best of social media.

The Square Economy

Square may be best known for its dangle, but Dorsey says that’s just the beginning. He envisions the company as a vast ecosystem that humanizes every act of commerce. Its current products and services have already made a lot of headway.—S.L.



Square Card Reader

Who uses it: More than a million massage therapists, accountants, taxi drivers ... anyone who wants to sell something.

How it works: Vendors plug the free dongle into a smartphone's headphone jack. Customers swipe their cards and sign the screen with their finger.



Square Register

Who uses it: Shops and boutiques looking for an alternative to a cash register.

How it works: The iPad app, which connects to a cash drawer via Wi-Fi, lets vendors set up buttons for each item in their store. Square also provides merchants with free analytics.



Pay With Square

Who uses it: Customers and stores that like the idea of swipe-free payments.

How it works: When consumers download the app and walk into a participating business, their name and photo pop up on the store's iPad. Customers pay by giving their name and can even add a tip later.

Still, he shrugged off the humiliation, insisting he had volunteered to step down. “I think I rationalize it by saying Twitter is certainly bigger than me, bigger than anyone in the company. I hope we don’t get bogged down with who the face of the company is.” But wasn’t it tough? “It *was* tough,” he said. “I have honestly been working on this concept for like 15 years.” (Later, in a less guarded moment, he would admit to writer David Kirkpatrick that the departure hit him like a punch in the stomach.)

After we finished our Twitter discussion, Dorsey asked me casually whether I wanted to see what his new company was all about. Its name—Squirrel—was not particularly descriptive. He took me to his apartment in a high rise overlooking the bustling plaza of the old US Mint. The half-renovated one-bedroom looked more like a construction site-cum-makeshift office than a domicile. Young engineers were tucked into dusty corners, working away at their computers. Hovering over the kitchen counter, Dorsey explained that he was going to empower everyone to accept cashless payments.

He took a piece of white plastic shaped roughly like an acorn, jammed it into the earphone jack of his iPhone, and asked me for my credit card. When I produced it, he swiped it through a slot on the acorn. Then he had me sign the screen with my finger and enter my email. When I checked my own iPhone, I had a message noting that I’d paid Jack Dorsey \$1. A Google Maps image marked the location of the transaction. Dorsey was beaming like a proud parent.

Squirrel came about in a strange way. When Dorsey was growing up in St. Louis, he became fascinated with computer programming—“I’m a *great* programmer,” he says in a rare moment of boastfulness. (He elaborates that his style is sparse and well structured—“like Twitter.”) As a teenager, he had a summer internship with an entrepreneur and glassblower named Jim McKelvey. Even at 15, Dorsey was impressive enough that he was given lots of responsibility, far beyond that of the average intern. McKelvey and Dorsey remained friends throughout the younger man’s early endeavors: working for a dispatch service in New York City, studying botanical illustration, training as a massage therapist, and finally creating Twitter.

Then, shortly after Dorsey left Twitter, McKelvey remarked during a phone conversation that he had lost a recent sale—a \$2,500 blown-glass bathroom faucet—because his customer could pay only with a credit card. As McKelvey recounted this tale to Dorsey—both of them with iPhones pressed to their ears—they realized that a business was literally at hand. Those smartphones had more processing power than entire banks did decades earlier. Why couldn’t they process credit card payments? (That story has attained near-legendary status, like Pierre Omidyar’s Pez dispensers or Steve Jobs’ visit to Xerox PARC. But the details are in some dispute. As Dorsey tells it, the customer was in the store and wouldn’t run out to get cash. McKelvey, however, says the customer was calling from Panama, and he couldn’t accept American Express.)

Not long after that conversation, in February 2009, Dorsey, McKelvey, McKelvey’s wife, Anna, and a friend named Greg Kidd drove north of San Francisco to a Muir Beach restaurant called the [Pelican Inn](#). They spent the evening debating whether they should start a company based on the idea that the world needed an easier way to make payments in person. Eventually they decided to do it. On the way home, they stopped at a 7-Eleven to buy some water. Dorsey and Anna, who stayed in the car, saw a squirrel run across the hood. It got Dorsey thinking. Squirrels dart around and collect acorns—it’s sort of currency for them! And like the word twitter, squirrel can also be used as a verb—people “squirrel” away their treasures! Dorsey could instantly envision acorn-shaped hardware—awesome branding!

Within 10 days, Dorsey and his team had whipped up a prototype. Robert Andersen, a product designer for Apple who’d written an early Twitter app, was one of the first to see a demo. “I thought it was really bizarre that you would swipe a card reader through an audio jack,” he says. Actually, it’s brilliant—a credit card’s magnetic strip stores information much like the tape does on an audiocassette. Dorsey’s team also designed the device to be powered by the energy generated during

the actual swipe. As a bonus, the sound it made when the card zipped through the slot resembled the squeak of a squirrel.

But the most outrageous part was how easy it suddenly became for anyone to accept credit cards, using a device they already owned. The process through which businesses are authorized to accept credit card payments is notoriously arduous and slow, particularly for small merchants. The issuing banks demand multiple proofs of creditworthiness and pile on extra fees. Square itself had difficulty negotiating that red tape—it took longer to get approval from Visa and Mastercard to accept a swipe than it did to create a prototype for the entire payment system. “Our sign-up process takes literally two minutes,” Dorsey says. “You download an app, put in your name and address, answer three security questions, link your bank account, and you’re done.” Andersen saw the potential. Just as Twitter democratized broadcasting, Dorsey’s new company would democratize the credit card industry. He quit his job at Apple and signed on with Squirrel.

Small problem: There was already a payment system named Squirrel. The team repaired to the dictionary and found, not far from squirrel, a new name. A square is a fundamental shape that suggests heft. A square deal is a fair one. And when two parties settle a deal, they square up.

Square was positioned to disrupt the payments industry, but it wasn’t out to topple the credit card companies. Indeed, it could be a boon to them; payments that were once made with cash could now be made with credit cards. (Square charges 2.75 percent per swipe and gives the vast majority of that fee—the company will not say exactly how much—to the card issuers.) So Dorsey met with some of the biggest names in finance, like JPMorgan Chase CEO Jamie Dimon and Visa head Joe Saunders. The demo won over the bankers. “Jamie has a Square reader on his desk,” Dorsey says. And Visa became an investor.

Since then, Square has signed up more than a million merchants; it expects to process more than \$5 billion in transactions over the next 12 months. One symbol of its ubiquity can be found in the lobby of its headquarters: Anyone can come in off the street and grab one of the Square payment dongles that sit in a glass bowl on the receptionist’s desk, like lollipops in a pediatrician’s office. They’re free. And just like that, you’re a credit card merchant.

A few days after our tea ceremony, Dorsey is sitting outside another artisanal beverage shop—in this case Café Grumpy in New York City’s Lower East Side—and quietly, sadly acknowledging that he never met Steve Jobs. “We were setting up a time to meet—that was my last email to him—but then he got really sick,” Dorsey says. “I learned a lot from him, though, from afar.”

In many ways, Dorsey and Jobs couldn’t be more different. In conversation, Jobs focused on his products with laserlike intensity; Dorsey’s sell is softer. Jobs’ professional extroversion contrasted with a fierce privacy about his personal thoughts. Dorsey is enigmatic in person but more forthcoming about his interior state to the hordes who follow him on social networks, doling out aphoristic observations (“Life is short”), Instagram photos that look like postcards from a Zen hobo (telephone wires, empty bus seats), and surreal shout-outs to celebrity buddies like Larry King. Yet when people talk about who might fill the vacuum left by Jobs’ death, Dorsey’s name keeps coming up. Talented geeks once dreamed of working with Jobs; now they fantasize about working with Dorsey. Keith Rabois, an early PayPal executive and a hot prospect, says he took the COO job at Square in large part because of Dorsey. “There are three things you need to do as a CEO-founder,” Rabois says: “Think strategically, drive design, and drive technology. Some people who are really good at one can build a pretty foundational company. Most people who are very successful are good at two. But Jack is the only person in the Valley I’ve met who’s all three. He’s a first-rate strategist, a first-rate designer, and a first-rate technologist.”

Like Jobs, Dorsey has proclivities that have helped him build something of a cult of personality. Every Friday he indoctrinates new employees with a forced march through the streets of San Francisco, beginning at the statue of Mahatma Gandhi at the Ferry Building, heading into the canyons of the Financial District, and emerging in the startup haven south of Market Street where

Square resides. During the walk, Dorsey outlines what he calls the Four Corners of Square. “It’s something that codifies our ethic,” he says. “I really spent a lot of time on it.” But he is mum on the details of this vaguely Masonic concept. “If I told you, you’d have to work here,” he says with a tight smile.

Dorsey also boasts a Jobs-like obsession with design and detail. In early 2011 he became captivated by the idea of using a wallet metaphor in a Square app. William Henderson, a former Apple operating system specialist who now works as a software engineer at Square, says, “Jack got so excited that he came to work one day with a stack of 10 leather wallets.” For hours, Dorsey and his team deconstructed every detail. He was especially fond of the Hermès. (He adores the brand and pronounces its name “air-MEZH,” as if he were raised in a duty-free shop.) The team designed a digital wallet that faithfully replicated its austere majesty, down to the stitching. It even carried a monogram, extracting initials from the user’s registration information and dropping the trailing dot after the second initial, just as Hermès does. The credit cards, which fit into their slots at slightly asymmetrical angles, were stamped with holograms that changed color when the screen was tilted. But perhaps Dorsey’s most Jobsian trait is his knack for disrupting entire industries and forcing them to follow his lead. The established companies that process merchant transactions—like PayPal and VeriFone—were caught off guard by Square. Now they’ve launched competing offerings. PayPal has created PayPal Here, with a stylish triangle-shaped card reader that the company says is more structurally sound than Square’s. PayPal president David Marcus thinks that all of PayPal’s 110 million users will eventually adopt it. VeriFone, the leader in credit card swiping machines, built a Square knockoff called Sail, which has a flap that extends down the back of the smartphone. (Intuit has offered its own mobile credit card system, called GoPayment, since 2009.)

The message from those giants seems to be, thanks, kid, we’ll take it from here. “There’s no question they’ve innovated,” PayPal’s Marcus says. “It’s been good for the ecosystem. And Jack is a good guy. But people need a multichannel solution.” Jennifer Miles, an executive vice president at VeriFone, adopts a similar tack: “Square took a sleepy industry that was doing things the same way for years and innovated. But that process is replicable.”

Dorsey is unimpressed. First of all, he thinks it’s wrongheaded to build those flaps on readers that plug into smartphones: “We don’t want to add things—we take things away to make them more simple,” he says, once again sounding like Jobs. More broadly, Dorsey takes issue with the implication that Square is too naive to compete with the ultrasophisticated finance industry. “Yes, we’re naive,” Dorsey says. “But that’s a strength, not a weakness. We literally have fewer than five people in a company of 250 who have worked in the financial industry. So our approach is to engineer and create and build what we want to see.” (In any case, should Dorsey get stumped on some intricate issue of high finance, he can seek enlightenment from former Treasury secretary Larry Summers, who sits on Square’s board.)

Square’s Rabois, the former PayPal exec, has a harsher take on his old employer: “It’s sad that what qualifies as innovation there now is trying to replicate, piece by piece, something that someone else is doing.”

If VeriFone and PayPal spent as much time studying Jobs’ legacy as Dorsey did, they’d understand the risk in mimicking another company’s products. Indeed, in the same way that Apple introduced new versions of its devices just as competitors caught up to its previous model, Dorsey has already released the next iteration of Square—a swipe-free version. It began at an all-hands meeting in late 2010, when Dorsey issued a challenge to his staff: “I want to have a payment experience that’s so smooth that when I walk out I won’t be able to remember if I even paid.” Imagine if customers were checked in automatically via Wi-Fi any time they walked into a participating store. When they wanted to buy something, they could just give the merchant their name. They’d never even need to reach into their pocket!

The vision—swipeless pay, if you will—was a logical extension of Square’s mission of turning

payment into an intimate experience. But instead of merchants doing all the work, this required customers to download an app too. They dubbed it Card Case. The first version—which featured the passionately designed digital wallet, including virtual credit cards for each participating merchant—launched in the spring of 2011. A few months later, while interviewing with Dorsey for a job at Square, an Apple iPhone product manager named Shuvo Chatterjee pointed out that, while he loved the service, the wallet metaphor didn't really work. "I'm collecting those cards, but it's not really scaling," he said. "In my real wallet, I don't have one card for every merchant I buy from." Dorsey hired Chatterjee and made him the Card Case product lead. In March 2012, they released an update. The beloved Hermès wallet was gone, replaced by a cleaner interface that more effectively promotes discovery of new places. (Once you establish a relationship with a merchant, it's like opening a bottomless ledger, one that can easily handle things like loyalty programs.) The app also acquired a new name, Pay With Square, an indication that it was no longer a side project but had become crucial to the company's mission. No dongle required.

Dorsey says that he learned a lot during the early days of Twitter—including what not to do. "I wrote down everything that happened at Twitter, and we corrected all the mistakes," he says. Twitter's rise was hampered by managerial whiplash and [frequent outages](#). So with Square, Dorsey says, "we focused on the culture immediately. We focused on reliability and uptime. We focused on having a design team immediately. Pretty much everything was a reaction to those early years." In March 2011, Twitter CEO Dick Costolo hired Dorsey back, both for his design savvy and, as he puts it, a "sincere appreciation for the vision of the founder." Today Dorsey splits his time between the two companies. "It's unusual, but the companies have a lot of parallels," he says. "They're both utilities. They both can be used by a dynamic range—from individuals to the largest organizations in the world. They both have social aspects; payments are just another form of communication. Both are exchanges of value."

Some have criticized Dorsey's dual role, arguing that he is spreading himself thin. "I will do whatever it takes to make sure both succeed," Dorsey insists. "It's like two family members you care for and love deeply."

For Square that means continuing to expand the company's offerings as it moves up the retail food chain. Earlier this year, Square saw the popularity of the iPad as an opportunity to expand its business beyond individuals to boutique-level merchants. It released Square Register, an app that makes it easy to use an iPad as a full-featured cash register. Vendors can set up buttons for each item they sell, much as McDonald's lets cashiers simply press Shake instead of entering the price. It can also connect wirelessly to a cash drawer.

But Register's real value is that it offers sophisticated analytics for free. Its users get data that allows them to identify which products are selling and when, and future versions will be even more powerful. "As a customer enters the vicinity of the establishment, a notification will spring open on the merchant's screen," says Megan Quinn, Square's director of products (who has since left the company). "It will show the customer's name and suggest their most likely order, based on an algorithm that knows past purchases and things that sell well at the store."

Henderson, the engineering lead on Pay With Square, points out that the company collects all kinds of information about its users, data that might be invaluable to merchants and customers alike. "First of all, we know your location," he says. "Second, we have a decent sense of your history. We know the kinds of places you've been and what you like. But we also know lots of other things—like if there's a whole bunch of food trucks that pull up nearby, we'll see the spike in activity and can point you to those trucks. I think you'll see us get really good at this."

Analytics and data-mining might provide Square's real business model. So far, the company has charged a very small fee for each transaction, and merchants aren't likely to pay much more. And while Square has been giving participating merchants access to analytics about their businesses for free, it is also aggregating that data, real-time information about what people are buying in every

region of the country, complete with detailed demographics. It's reasonable to think that might be very valuable in the near future.

Square is still focused on smaller merchants, but its executives believe that even tier-one retailers will use Square before long. "The Neiman Marcuses and the Walmarts will want to have an emotional attachment with their buyers, where anybody can walk in and pay with their name and have an electronic receipt," Rabois says. "That's what we're going to deliver."

In other words, Square aims to provide shoppers with an emotionally satisfying experience—and it is using the Apple playbook as its guide. "My challenge to our product team is to build the app that they themselves really want," Henderson says. "That's something I learned at Apple. That's the reason it's able to consistently surprise consumers." Communicating the Apple way really isn't too hard for Henderson, because "almost every one of my team at Apple now works for Square."

And just as Steve Jobs did, Jack Dorsey works hand in hand with his designers. "It's almost as if the whole of Square is a manifestation of Jack's mind—everything has to be artisanal," says Twitter's Stone, who has remained close to Dorsey and is an investor and adviser to Square. "He was always that way, but now he has the gravitas and authority to make it happen."

Recently Dorsey oversaw a rejigging of the icons for Square's iPhone apps. He took special care with the one for the now-classic Card Reader app. The design he ultimately settled on was a version of the company logo, set atop a blue background. There's something evocative about that backdrop—it isn't an antiseptic patch of blue. It's a bit weathered, textured, striated. It is, in fact, a photograph of a swatch of denim from Scott Morrison's high-end jeans, shot directly from Jack Dorsey's leg.

Wabi-sabi heaven.

Senior writer *Steven Levy* (steven_levy@wired.com) wrote about robotic reporting in issue 20.05.

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Steven Levy's deep dive into Google, [In The Plex: How Google Thinks, Works And Shapes Our Lives](#), was published in April, 2011. Steven also blogs at [StevenLevy.com](#).

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It's a scene cut straight from *Cheers*. You hit the bar on the way home — the one where everybody knows your name — the bartender slings you the drink you want, and tacks the purchase on your ever-growing tab. It's understood that the money will eventually change hands; most likely by the end of the night, you'll break out the wallet and assess the damage. In its Card Case application software update launched on Wednesday, mobile payments start-up Square takes the scenario one step further. After downloading the Card Case app update on your smartphone, paying for drinks at a business which uses Square's Register app is as easy as telling the merchant what you want. Make your order, and the money is automatically deducted from your linked credit card account. After the purchase goes through, you're sent a digital receipt to your account. No swiping plastic, no fumbling for paper money — you don't even have to take the phone out of your pocket.

"We're bringing that relationship of being a *regular* to more and more people than before," said Square director of product Megan Quinn in an interview. "We've removed the artifact of the transaction from the payment experience — instead, it becomes about the relationship between you and the merchant."

Continue reading 'Square's App Refresh Makes Mobile Payments Hands-Free' ...

Card Case uses the new "geofencing" technology included in Apple's recent iOS 5 release. Much like the name suggests, geofencing creates virtual boundaries around specific geographical points. Your iPhone can detect when you cross one of these fences, thereby triggering some form of event or notification.

With Square's most recent update, merchants who accept Square are bound by geofences with 100 meter radii. If you've got Card Case and pass through one of those fences, the app automatically opens a "tab," essentially a way to check in to a business and have your name and payment info show up on the merchant's Register app (which is also made by Square). Merchants see your open tab through their Register app, and your tab becomes your active account if you decide to visit the store.

First launched in May, the first version of Card Case required users to open the application and manually start a tab when visiting a participating merchant. While Card Case eliminated the need for swiping a card or paying with cash, it still required whipping out your phone, opening a tab and interacting with the application.

Ultimately, the aim seems to be further eliminating the "friction" inherent in the payment process; in other words, it's becoming way easier for you to spend money without having to think about it.

Theoretically, merchants will love it for the potential increase in revenues behind the counter — especially when customers don't feel like they're actually spending money — and customers will dig the quirky convenience of paying for items without really needing to do anything at all.

Obviously, Square has competitors in the mobile payments space. Near Field Communications technology is taking off in a massive way, especially with the debut of Google Wallet and the possibility of Apple developing its own NFC-equipped iPhones. Square says it isn't worried about other mobile payments possibilities, instead offering that Card Case is the easiest, most sensible solution out of all the new-wave technologies. "There's no waving of your phone needed with us," Quinn said.

In order to make a significant dent in how consumers pay for goods and services beyond traditional paper and plastic, all competitors in the mobile payments ecosystem face an uphill battle. The installation base for NFC-enabled terminals compatible with Google Wallet is relatively minuscule, currently floating in the area of three to four hundred thousand. And Square's participating user base hovers somewhere in the range of 800,000, though the company refused to offer specific numbers on individual Card Case or Register app installations.

Not to mention shifting consumer behaviors, which center on tried-and-true physical exchanges of legal tender for goods and services rendered. Teaching scores of new customers how to use the new methods — be they Square's, Google's or another participant's offering — isn't an easy task. Additionally, training programs and infrastructure set up on the merchant side create another barrier to entry that can only be eroded gradually.

Still, Square thinks its option a natural extension of the payment process, far easier to implement and adopt than other alternatives. "It's bringing that behavior that you already see from the places you go as a regular," Quinn said. "Once they've paid this way, people want to continue to pay this way."

The updated Card Case app is available in the iTunes App Store immediately, free to download for iPhone users. Alas, Android fans will have to wait — for now, at least. Since the Card Case update is tied to iOS 5's geofencing capabilities, it's currently available only for iPhones, though a Square spokesman said an updated Card Case would be available for Android soon. The previous version of the app remains available to both Android and iPhone users.

Photo: Jim Merithew/Wired.com

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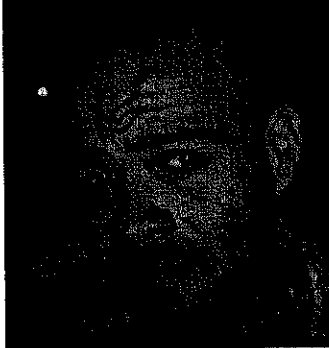
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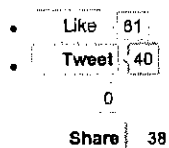
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Twitter co-founder on new payment device



Credit cards typically charge businesses between 2.5 and 5 percent, and fees for equipment and usage. Square charges a flat 2.75 percent and the equipment is free.

Users also have valuable information about their customers. It's something Dorsey is passionate about.

"A lot of what we're doing this year is making sure the small businesses have the data they need to grow," Dorsey said. "We can say you know you sold this number of cappuccinos today, this number of people also bought biscotti, this is what happens on a rainy day, this is your busiest hour, and then they can make decisions based on all that."

That benefit works everywhere from the coffee house to the White House. President Obama and GOP hopeful Mitt Romney have adopted Square on the campaign trail.

When asked if candidates will make more money using Square or because they're using Square, Dorsey replied, "I think it's really going to change the game for how you raise for campaigns. People are carrying credit cards. They're not carrying cash, they're not carrying checkbooks, but they want to donate to the campaigns."

But Dorsey is more focused on people than politics. "A lot of people want to start their own businesses," he said. "So I would love Square to be the reason they finally take the jump."

Dorsey still works every day at both Square and Twitter, working eight-hour days at each company.

When asked about his 16-hour days, Dorsey said, "I'm very, very disciplined about my time."

For Rebecca Jarvis' full report and tour of Dorsey's San Francisco headquarters, watch the video in the player above.

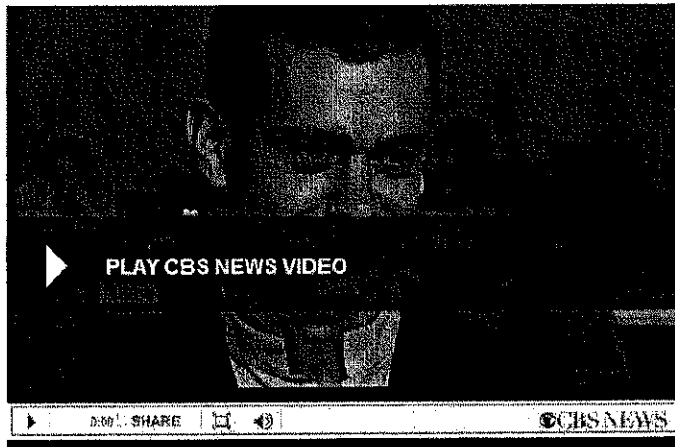
Dorsey also discussed what innovators need to know about moving forward with their ideas and what he's learned from his early mistakes at Twitter. Watch that video -- seen only on the web -- below.



Also, in this discussion you'll seen only on the web, Dorsey talks about Twitter's future and the big names involved in the company. Watch that video in the player below.

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by Jennifer Collins
Marketplace for Tuesday, January 31, 2012

TRANSCRIPT

Kai Ryssdal: This is a big day in the finances of the presidential race. Candidates and the super PACs that support them -- independently and in a non-coordinated way, of course -- have to report how much money they raised and spent last quarter.

The chase for political contributions is a never-ending one, big donors and small ones alike. Marketplace's Jennifer Collins has more on what campaigns are doing to bring in contributions from the little guys.

Jennifer Collins: The last presidential election was all about online donations. This year, candidates are going mobile.

Both the Obama and Romney campaigns are trying out a mobile payment system called Square.

Daniel Rubin: First of all, it's incredibly easy for political campaigns to deploy.

Daniel Rubin is with Square. Here's what he means by easy: Campaign workers attach a card reader to a smartphone and download Square's special app. Then they hit the campaign trail, where they can easily collect donations from anyone with a credit card.

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Michael Malbin directs the Campaign Finance Institute. He says Square helps campaigns hit up supporters when emotions are high.

Michael Malbin: You know before there's a chance for second thoughts. It's just, 'Do you support me? Yes! And at that moment you say, 'Click.'"

The app also collects the information needed to comply with Federal Election Commission rules. Carl Howe of the Yankee Group says this is a huge boost for Square, and it's not just because it takes a small fee every time you swipe.

Carl Howe: They couldn't buy better advertising. They're implicitly getting an endorsement from the presidential candidates.

And the political campaigns are getting an app that can turn anyone with a smartphone into a fundraiser.

I'm Jennifer Collins for Marketplace.

About the author

Jennifer Collins is a reporter for the Marketplace portfolio of programs. She is based in Los Angeles, where she covers media, retail, the entertainment industry and the West Coast.

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Jack Dorsey, founder of Square and inventor of Twitter

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For making magic out of the mercantile

By Ellen McGirt

Mr. Jack Dorsey decided he would buy the coffee himself. We are at Sightglass, a San Francisco beanery and coffee shop owned by two brothers whose vintage roaster fills the cavernous space with a constant and rich aroma. "They were my first of three vendors," Dorsey says as he places his order, then mine, with the barista. "We also had a flower stand and an airline-pilot instructor." Sightglass signed up with Square back in 2010, when the company's only product was a simple credit-card reader that looks like a business-card holder with a headphone jack. Plug it into an iPhone, though, and anyone could accept credit-card payments. When Sightglass came on board, Square was so laughably small that it had no way to sign up businesses (unless Dorsey called on them), no pricing model, and no way to get your money if you did swipe a card and make a sale. Since then, the company has had a number of "resets" (as Dorsey describes new initiatives) that have brought to life the idea contained in that little reader, including an app that lets a business use its iPad as a supercharged cash register and inventory system and... Dorsey pauses midsentence, briefly taps his iPhone, and changes the subject.

He tells me a story about how his father, an engineer and semi-serial entrepreneur, helped him build a model of a mass spectrometer out of Legos, ball bearings, and magnets when he was 11. (A few weeks later, Dorsey's father, Tim, tells me his version of the story, taking the time to teach me the concept of mass spectrometry. In the Lego device, the magnets were there to encourage ball bearings of different sizes to arrange themselves by weight, just as a real device would do with gases of different weights. "Did it work?" I ask. "No! It was a disaster!" Tim Dorsey laughs. "But we had a great time!")

Dorsey and I take our cappuccinos and walk to a table. Quiet, intense, and almost preternaturally reserved, the 35-year-old amuses me with tales of his time in some pretty unreserved circles, from his Twitter town hall with President Obama (Dorsey wore Prada) to the bizarre #DinnerWithTheKings, a recently televised dinner party at Larry King's home, which included Russell Brand, Tyra Banks, Seth MacFarlane, Conan O'Brien, Quincy Jones, and Shaquille O'Neal, with dinner prepared by Wolfgang Puck. The celebrity chef delighted Dorsey with an unplanned Square product placement, offering to enable a credit-card ransom for a pair of panties that Brand had pilfered from Mrs. King's boudoir. "All in good fun," Dorsey says with a smile.

We're just a couple of people chatting about ideas, technology, design, leadership, and Dorsey's famous new friends, deep in conversation. "See?" he says, unable to resist a bit of inventor pride as he holds up his phone, tapping his app and showing off the coffee-purchase receipt. No muss, no fuss, no physical money, no paper receipt to be tossed or pocketed and forgotten. "Right?"

This is the magic of Dorsey's latest Square reset: Card Case, an elegant bit of payment choreography that lets consumers of coffee and other happy things pay for their items just by giving the cashier their name; the app activates the charge to their stored credit card.

Card Case is an example of the grace that Dorsey believes defines Square, a company he hopes will radically transform the generally unmagical burden of exchanging money for goods and services. The app, designed as a visual homage to the fashion house Hermès, can also show you your payment history, what's for sale in-store, and nearby places that take Square. Unlike the spectrometer, it works like a charm.

Dorsey is a source of wonderment in the business world, a modern Edison in a cynical age, a creator of platforms equally accessible to the celebrity, the major brand, and the everyhuman. Between Square and Twitter, that other little company he cofounded, he has helped generate a combined \$10 billion in market value, an impressive figure even for those who scoff at valuations as sport. Dorsey stepped gently into the highly competitive world of payments in 2009, driven to create a business during a time when he'd been temporarily squeezed out of Twitter, a time that he once described as feeling like a "punch in the stomach." (He returned to the company late last March as executive chairman and head of product development.) He announced his new venture in December of that year, and then went quiet, taking 10 months to reveal a product. Since then, Square has moved fast; it processes more payments through its system than PayPal did at the same stage of its growth, which has helped Square become, according to the logic of COO (and PayPal veteran) Keith Rabois, the fastest-growing startup in history. More than 1 million small businesses and individuals use Square to process credit cards—a number boosted almost solely by word of mouth. Square has no business-development team and no sales force. At least 60% of those Girl Scouts, artists, farmers'-market vendors, political candidates, taco-truck vendors, accountants, designers, and babysitters have never accepted plastic before. They're people like Joey Garza, a massage therapist in Houston. "I was one of the first to get one," he says. "My clients get a kick out of it when I let them swoop [sic] their own card. Now, some also love Card Case."

And Square is wooing even those with merchant accounts to try Square because of its flat 2.75% processing fee per card swipe and its deft synthesis into the smartphones and tablets people already use. Folks like Jack Root, whose merchant account associated with his retail store is of little use to him when he wants to accept payments for teaching gigs and consulting at trade shows. "A three-minute sign-up and I thought, Oh my gosh, this is the way it's supposed to be!" he gushes. Root says he's not only been able to grow his extracurricular business by taking credit cards, but he's also moved part of his store over to Square. By using this instead of his merchant processing account and its 4.8%-per-transaction charge, he calculates that he's saving approximately \$10,000 a year.

On a monthly basis, Square is now moving some \$3 billion in annualized payments. Do the back-of-the-envelope math on that 2.75% and that's more than \$82 million--although almost all of it goes back to Visa, MasterCard, and American Express. Rabois claims that Square even creates jobs. "We can identify 50 basis points in the U.S. for October that are related to Square," he states, sounding more like Paul Krugman than Paul Graham. Giving people a fast and free way to start taking payments creates businesses, he claims, and that means added jobs. "That's half of 1% of all jobs created in October."

Taking on the behemoth financial world takes guts. "Actually, the word we heard most often was naive," Dorsey recalls. Highly regulated and insanely complicated, the banking experience is particularly onerous for very small businesses lacking serious volume, a credit history, or a herd of accountants and inventory-control officers. "The small-business person has basically a calculator to work with," Dorsey says. "Their cash registers give them no meaningful analytics about their customers, popular items by date and time, their inventory, anything." To Dorsey, this lack of information and power gives him an opportunity to seek poetry in commerce. "Money is something that touches every single human on this planet, and at some point, every single human feels bad about it." After all this time, we can't do anything about that?

That frustration is something the folks at Square fully understand. Matthew O'Connor, director of engineering, recalls the company's early quest to solve problems caused by the arcane Automated Clearing House (ACH) system, the back-office protocol that moves electronic money between banking and finance accounts around the world. O'Connor and his team couldn't build software to talk to it. "[ACH] was designed in the 1950s, literally translated from punch cards into an antiquated file format," O'Connor says. His young 21st-century programmers—used to building cool stuff on top of open, modern platforms—were initially stymied. "It's older than their parents." Eventually, Square finessed the software to settle credit-card transactions every night, just like the lumbering and expensive old-guard banks.

"The smallest details became hugely important," says the CEO, and "highly dramatic." We're now chatting about Mrs. Dalloway, the classic by Virginia Woolf, a book so groundbreaking that it reset the development of the American novel. As Dorsey grew in his role as CEO, he decided to hone his storytelling skills, to fine-tune the narrative he shares both inside and outside the company. "As CEO, my main job is editor-in-chief," he says. He's been immersing himself in books by his favorite authors—Woolf, Salman Rushdie, Margaret Atwood, and Alice Walker. Dorsey is also talking about the process of making a business. He sees not the devil, but the humanity, in the details, particularly for his customers. "If we can perfect one experience for one individual, we can scale to every single one of the 7 billion people now inhabiting this earth," he says.

I ask how he plans to do this.

"How do you institutionalize creativity?" He smiles into his cappuccino and pauses, preparing to answer his own question.

Dorsey likes to walk. He always has. On our trek back to Square's offices from Sightglass, he explains his schedule: "All my days are themed. Monday is management. At Square we have a directional meeting, at Twitter we have our opcomm [operating committee] meeting. Tuesday is product, engineering, and design. Wednesday is marketing, growth, and communications. Thursday is partnership and developers. Friday is company and culture. It works in 24-hour blocks. On days beginning with T, I start at Twitter in the morning, then go to Square in the afternoon. Sundays are for strategy, and I do a lot of job interviews. Saturday is a day off." He is not kidding about any of this, and I'm pretty sure he also works on Saturdays; he does offer a wry smile to allow that he knows this might be a little nuts. "Actually," he says, "the word I'd use is disciplined."

Dorsey does a lot of his walking in a 14-block quadrangle of San Francisco. Square's offices are in the San Francisco Chronicle Building at Fifth and Mission; Twitter is headquartered four-tenths of a mile away at 795 Folsom; and Dorsey's apartment is just around the corner from Square, near the Old Mint. Square, born during late-night work sessions at Dorsey's spartan loft, has scaled quickly to 220 employees who now collaborate in one open and clean, well-lighted room designed with collaboration in mind. "Look around," Rabois says. "Conference rooms are glass, [semiprivate] conversation cubes have one side that is open. We are one big open office."

Everything we do is about getting people to be more open, more creative, more courageous, Dorsey says. Meetings run the gamut from quick team "stand-ups" for rapid updates to major work and brainstorming sessions to "retrospectives," where teams meet to discuss the existential aspects of their work. Do you have what you need? Is your space adequate? Notes from every meeting are revisited at the next meeting, and all notes are shared electronically with everyone in the company. "Everything we do is about getting people to be more open, more creative, more courageous," Dorsey says. Regular off-sites stir excitement, stimulate the mind and soul. One staffer told me about a trip to SF MoMA to discover what Mark Rothko could teach them about design. Another talked excitedly about a mentor Rabois connected him with—a serious industry heavyweight who helps him grow his ability to work with people and not just his technical knowledge.

Dorsey holds weekly town-hall meetings with the entire staff. He evaluates developments in the world—the growth in smartphone usage, a rise in geolocation, the birth of the iPad—and challenges employees to move Square in new directions. Let's not just take payments but let people make them. Surprise me! "It's empowering to be asked to look at what's possible," he says, "not told how to do it."

Not that "empowering" necessarily means fun. "All of the things we did in the last year were hugely contested," he says, citing the iPad app and Card Case. William Henderson, a software engineer, sidestepped debate over when smartphones would include chips that let them act like credit cards and rendered it moot. Henderson's

cobbled-together solution of Card Case's signature "wow" moment—paying without removing your phone from pocket or purse—could make everyone feel like a big shot. Dorsey encouraged him to demo it for the company; then he made Henderson the product lead. "It says a lot about Jack and the process, and how we grow here," says the Apple alum, one of many who have migrated to Square. "He wants us to think about what makes us excellent, and what makes a product excellent."

I am sitting in the kitchen of Dorsey's childhood home with his parents, over coffee (of course). The kitchen is filled with a lifetime of framed treasures from their three sons—paintings, self-portraits, school photos. In the living room, Dorsey's pointillist portrait of Kurt Cobain has a place of honor. It's clear that Dorsey, Tim and Marcia's eldest, comes by his love of art, data, and small business honestly. This house is in Compton Heights, a historic neighborhood in St. Louis that was created in the late 1800s. The city's beer barons commissioned the homes (big for themselves and small for their mistresses) and adorned them with woodwork, stained glass, and beaux-arts fixtures created by many of the artisans who came to build the 1904 World's Fair. By the time the Dorseys arrived in the late 1980s, the neighborhood had seen better days. "When the real-estate agent showed us the house, the doorknob came off in her hand," says Tim with a laugh. Jack chose the smallest bedroom in the house. "He's always been a minimalist," says Tim.

Dorsey found the neighborhood and downtown St. Louis endlessly inspiring. "It was my first love," he says. The buildings and streets stoked his curiosity. He consistently found reasons to walk the city, from leafleting for political candidates to spending hours at the rail yard with his brother making movies of trains. Unlike most teens, he refused to learn to drive. Marcia, recalls picking him up at all hours from his various jobs. "Three a.m. leaps to mind," she laughs.

He collected maps, fascinated in particular by what messy and interesting thing might be happening right then on the city's perfect grids and intersections. When the family first acquired computers, a Mac and an IBM PC Junior, Dorsey taught himself programming so he could make his own maps. He put dots on a rudimentary St. Louis map and moved them around. The dots didn't mean anything. Then he noticed that the family's CB radio and police scanner both offered what geeks would come to call "real-time user data." "Ambulances, fire, taxis, and police are constantly reporting where they are and what they are doing," Dorsey says. Suddenly, the dots came to life, and next thing the Dorseys knew, young Jack was making something known as dispatch software. "We thought it was a little strange," says his father, "but also really great."

Dorsey's own dots connected slowly after that. He ended up leaving his first college, University of Missouri in Rolla, to write code for a dispatch software company in New York. A brief stint at New York University was followed by a sudden move to San Francisco and random programming jobs. (Have you taken the Blue and Gold line to Alcatraz? Dorsey wrote its ticketing program.) The pathlessness worried his mother. "He didn't have a plan. And, of course, no benefits." But there was new technology to play with, like SMS. And new business partners, like Ev Williams and Noah Glass. Which is how what began as a childhood fascination with city maps morphed into Twitter, the real-time grid of what real people are doing every minute all over the world. Complete with a world-class benefits package.

Other teenage experiences imprinted Dorsey with the impetus for Square. He worked as a barista at his mother's own roastery and coffee shop, an endeavor felled by a hypercaffeinated interloper from the Pacific Northwest hell-bent on growth. Dorsey's brow darkens at the memory. The loss has stuck with him all these years, though his mother says kindly, "The shop may have been on the way out before Starbucks got here."

Another teen job found him working for engineer Jim McKelvey, who is also a talented glass artist. McKelvey once "lost a \$2,000 sale because he couldn't take credit cards," Dorsey says. McKelvey became Dorsey's cofounder at Square, and "we made the solution he needed."

It turns out to be the solution a lot of people need. Square's primary challenge in early 2012 is to find more customers in other parts of the world, first in Latin America and then in parts of Asia and Europe. This will bring new financial systems to wrestle with, and perhaps more rewards. "The potential for growth globally is massive," writes Richard Branson, who is an investor in both Twitter and Square, via email.

Branson is most impressed by Dorsey himself. "By inventing Twitter, Jack may have well brought down dictators in North Africa and the Middle East. That's not bad going for one guy." But unlike most people, Branson thinks that Dorsey's schedule is not full enough. "I do wonder if his talents are wasted running two companies," writes the man whose Virgin Group consists of more than 200 companies. "Perhaps he should let other people run the companies and use his brilliant brain to start more companies and create even more jobs."

There's a thought: Dorsey in 2012, the Square Deal candidate.

Photograph by Jeff Minton

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Kim

innovative solution with loads of potential? yes, but still a diamond in the rough, too bad it is the customer bits that need the most polishing. gonna have to wait and see on this one.

03/14/2012 05:17 AM

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Exhibit B

Best Buy Super Bowl Ad Swaps Celebs for Tech Innovators Instagram and Square



February 01, 2012 by [Todd Wasserman](#) 6

Best Buy's Super Bowl ad will celebrate mobile technology inventors by featuring the creators of the camera phone, Instagram and Square.

The 30-second spot is a creative change in direction for the retailer, which tapped Ozzy Osbourne and Justin Bieber last year to promote its Buy Back trade-in program. A rep for Crispin Porter + Bogusky, the ad agency that created that and this year's spot, says Steve Jobs was an initial inspiration.

"From iconic apps to inventions like SMS messaging we can't live without, we're putting a name and face to these amazing (and often unsung) innovators of mobile technology," the rep said.

Such innovators include Philippe Kahn, creator of the camera phone; Kevin Systrom, founder of Instagram; and Jim McKelvey, co-founder of Square. The rep declined to provide further details about the ad, though a video might be available soon.

Kahn is credited with developing the first cameraphone in 1997 and is currently the CEO of Fullpower Technologies. Systrom, meanwhile, created Instagram with Mike Krieger and launched the popular photo-sharing app in October 2010. McKelvey founded Square, the mobile payment solution, with Twitter co-founder Jack Dorsey in 2009.

According to a report in Bloomberg, Best Buy was planning to hire a celeb spokesman for its Super Bowl ad, but switched course after Steve Jobs's death on Oct. 5. At that point, Best Buy chief marketing officer Drew Panayiotou, "realized Silicon Valley inventors are today's stars."

The ad comes as sales have slowed for the retail chain. Analysts have projected an increase of 2.6% for Best Buy's sales in the fiscal year ending Feb. 25, followed by a gain of less than 1% for the following year. The chain also generated some bad PR over the holidays after it was unable to fulfill all its customers' online orders during the holidays.


Giggle-Inducing Super Bowl Commercials


Exhibit C

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





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Sign In

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Create password

Confirm password

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